

Message Text

LIMITED OFFICIAL USE

PAGE 01 STATE 215731
ORIGIN NEA-10

INFO OCT-01 ISO-00 EB-08 COME-00 TRSE-00 OMB-01 H-01
CIAE-00 INR-07 NSAE-00 AID-05 L-03 /036 R

DRAFTED BY:NEA/INS:JRGRAHAME:JES

APPROVED BY:NEA:ADUBS

MEA/INS:PWLANDE

-----025192 090700Z /21

R 082349Z SEP 77

FM SECSTATE WASHDC

TO AMEMBASSY NEW DELHI

LIMITED OFFICIAL USE STATE 215731

E.O. 11652: N/A

TAGS: EINV, US, IN

SUBJECT: IBM PLANNING TO WITHDRAW FROM INDIA

1. HOWARD FIGUEROA OF IBM CALLED ON DEPUTY ASSISTANT SECRETARY DUBS ON SEPT. 7 TO INFORM US THAT HE EXPECTED GOI TO ISSUE FORMAL REJECTION OF IBM'S APRIL 1976 FERA PROPOSAL WITHIN THE NEXT FEW DAYS AND THAT IBM WAS PREPARING PLANS FOR PHASING OUT ITS INDIA OPERATIONS. FIGUEROA SAID HE WOULD GIVE US PRIOR NOTICE OF IBM WITHDRAWAL ANNOUNCEMENT, WHICH THEY WOULD ISSUE WHEN THEY RECEIVE OFFICIAL NOTICE OF GOI DECISION. PHASE OUT WOULD INVOLVE SALE OF IBM PLANT, EQUIPMENT, SPARE PARTS INVENTORY AND LEASED COMPUTERS IN ACCORD WITH GOI REGULATIONS. HE SAID THAT AMBASSADOR HAD BEEN INFORMED OF SHARPLY NEGATIVE NATURE OF LATE JULY MEETING WITH PRIME MINISTER AND SUBSEQUENT DISCUSSIONS WITH PM'S PRINCIPAL SECRETARY, V. SHANKER.

2. FIGUEROA SAID HE EXPECTS GOI DECISION TO REQUIRE DILU-
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 STATE 215731

TION OF IBM EQUITY TO 40 PERCENT, EXCEPT IN COMPANY MANUFACTURING 100 PERCENT FOR EXPORT, WHICH COULD BE TOTALLY IBM OWNED. IBM DECISION TO WITHDRAW RESULTS FROM BELIEF THAT EQUITY DILUTION WOULD SERIOUSLY IMPAIR ITS ABILITY TO MANAGE AND RUN IBM INDIA AS PART OF A MULTINATIONAL, HIGH TECHNOLOGY COMPANY THAT REQUIRES THE INTERNATIONAL SHARING OF RESOURCES AND KNOW-HOW. WHILE GOI WOULD PERMIT

IBM TO MANUFACTURE IN INDIA EXCLUSIVELY FOR EXPORT, IBM DOES NOT CONSIDER PRODUCTION IN INDIA, WITH INDIA AS SOLE SOURCE OF COMPONENTS, AS ECONOMICALLY, VIABLE POSSIBILITY.

3. FIGUEROA SAID IBM DOESN'T EXPECT TO NET ANYTHING FROM LIQUIDATION BECAUSE OF GOI REQUIREMENT THAT ASSETS BE SOLD AT NET BOOK VALUE AND PROBABILITY THAT IBM, INDIA MAY HAVE TO PAY ADDITIONAL BACK TAXES. (GOI CURRENTLY REVIEWING IBM INDIA TAX RETURNS BACK TO 1963.) FIGUEROA CONCLUDED THAT IBM WILL BE LUCKY IF THEY DO NOT HAVE TO BRING MONEY INTO INDIA TO COMPLETE LIQUIDATION.
VANCE

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: BUSINESS FIRMS, INVESTMENTS
Control Number: n/a
Copy: SINGLE
Sent Date: 08-Sep-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977STATE215731
Document Source: CORE
Document Unique ID: 00
Drafter: NEA/INS:JRGRAHAME:JES
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770326-1047
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770983/aaaacsip.tel
Line Count: 74
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 8c122c4a-c288-dd11-92da-001cc4696bcc
Office: ORIGIN NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 11-Apr-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1340450
Secure: OPEN
Status: NATIVE
Subject: IBM PLANNING TO WITHDRAW FROM INDIA
TAGS: EINV, US, IN, IBM, (FIGUEROA, HOWARD)
To: NEW DELHI
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/8c122c4a-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009